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HOUSE UNIT BACKS LOAN TO AID SOVIET

Would Help Finance Auto
Plant Built by Italy

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WASHINGTON, Feb. 28 — A House subcommittee unanimously supported today a United States Government loan to an Italian credit institution to help finance the sale of about \$50-million worth of machine tools to the Soviet Union as part of an automobile plant to be built there by the Fiat concern of Italy.

The two Republicans on the subcommittee joined two Democrats in saying they had "no objections" to a loan by the Government's Export - Import Bank to make possible the sale of the equipment on credit terms. The loan would be to an Italian financial institution rather than directly to the Soviet Government.

The United States Government has supported the deal. Today's report by the subcommittee disclosed that the Defense Department, including the Joint Chiefs of Staff, backed it on the ground that "a loan that would induce the Soviet Union to devote greater resources to the production of consumer goods at the expense of applying those resources to military purposes is in our national interest."

C.I.A. Has Other View

However, a detailed study by the Central Intelligence Agency, quoted by the subcommittee report, said the Soviet automotive expansion was "not so grandiose as to require a significant alteration in traditional Soviet economic priorities and would leave military and space programs unimpaired."

The Soviet program, the C.I.A. study said, is "essentially designed to produce automobiles for the bureaucratic and managerial elite not for the average citizen."

Opposition Is Possible

The House report was by the subcommittee on international trade of the House Banking Committee, headed by Representative Thomas L. Ashley, Democrat of Ohio. Members of the panel visited Italy, the Soviet Union and other Eastern European countries last December.

There is a possibility of a move in the House, led by Republicans, to block the deal through a legislative rider on an appropriations bill. Opponents object to any such deal with the Soviet Union while the Russians are helping North Vietnam.

No formal Congressional approval of the Export-Import Bank loan is necessary. The bank has the necessary authority. A specific move to bar the deal would be necessary.

The borrower would be the Istituto Mobiliare Italiano, which has been told that an application would be considered favorably. The terms of the loan are to be about five years, with repayments to begin two or three years after shipment of the machinery. This would match the terms West European suppliers of equipment are expected to offer.

The new automobile plant in the Volga River town of Togliatti, the former Stavropol, will have a capacity of 600,000 cars annually.

About \$300-million, or half the total cost, would cover equipment purchased in various Western countries.

The subcommittee indicated its belief that the American machine tools would not contribute to Soviet military capabilities. Although they are "sophisticated in design," the report said, they "will represent a considerable [Soviet] expense and will have to be assigned directly to automotive production."